

People Helping People Friends Helping Friends

Disposition of Multiple Enforcement Actions

DATE: August 9, 2002 **RESPONDENTS:** 298 participants in a pyramid scheme known as People Helping People and/or Friends Helping Friends **ALLEGATIONS:** In late 1996 and early 1997, a cash pyramid scheme known as People Helping People, Friends Helping Friends, and various other names swept through Wichita, Kansas and the southeast Kansas region. Participants in the game were organized into four levels in a pyramid fashion. The base or first level consisted of eight persons referred to as "New Members" or "Volunteers." The second level consisted of four persons referred to as "Vice Presidents." The third level consisted of two persons referred to as "Presidents." The apex or fourth level consisted of one person referred to as the "CEO." Participants joined the plan by paying \$2,000 in cash to the person at the top of the pyramid, the CEO. The payment entitled the payer to have his or her name placed as one of eight "Volunteers" at the base of the pyramid. Once eight persons paid \$2,000 each to the CEO, the CEO "cashed out" or "retired" with \$16,000. The remaining participants split into two new pyramids with everyone advancing one level. The two Presidents advanced to CEO's of their respective pyramids and each new pyramid recruited eight new members. The pyramid was promoted and operated at meetings where prospective participants were told about the program and encouraged to participate. Potential investors were told to deliver only cash, to call the transaction a "gift," and to use only first names.

ORDER: The Commissioner took administrative action against 298 participants who profited from the pyramid scheme, hosted meetings, or led the meetings. The Commissioner also filed civil lawsuits seeking court-ordered disgorgement of the illegal profits that were obtained by approximately 50 of the participants. In total, the Commissioner oversaw the direct repayment of \$862,500 from "winners" back to "losers" and required the disgorgement of an additional \$510,000 from people who profited from the scheme. In addition, the Commissioner assessed fines of nearly \$85,000 and ordered participants to pay \$7,000 to reimburse the state for its costs of investigation. Each respondent was ordered to cease and desist from violating the securities law in the future.

Notice to Investors: If you are not a resident of Kansas and have been affected by actions that are similar to those described in this synopsis, you should consider contacting your state securities regulator for assistance. To locate your securities regulator, go to the [North American Securities Administrators Association](#) website. If you choose to contact your state securities regulator, please inform him or her of the action taken by the State of Kansas.